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## BEFORE THE ARIZONA CORPORATION COMMISSION

## COMMISSIONERS

BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
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2014 OCT -6 A 11:07

CORP COMMISSION  
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY, AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS ANTHEM WATER  
DISTRICT AND ITS SUN CITY WATER  
DISTRICT, AND POSSIBLE RATE  
CONSOLIDATION FOR ALL OF ARIZONA-  
AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission

DOCKETED

OCT 06 2014

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY, AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS ANTHEM/AGUA  
FRIA WASTEWATER DISTRICT, ITS SUN CITY  
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WEST WASTEWATER DISTRICT, AND  
POSSIBLE RATE CONSOLIDATION FOR ALL  
OF ARIZONA-AMERICAN WATER  
COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

Presentation by W.R. Hansen,  
President of the Property Own-  
ers & Residents Association of  
Sun City West, Arizona.

The Community of Sun City West, through its signed Intervenor  
hereby moves to speak on their behalf, to intervene in the above  
dockets identified above for the purpose of expressing its emphatic  
objection to the Consolidation Proposal advanced by EPCOR Utilities.  
My name is W.R. (Bill) Hansen, President of the Property Owners &  
Residents Association of Sun City West, Arizona.  
For the purpose of this presentation, we shall advance seven concerns.  
Six relate to the process, 7th addresses 5 areas of discrimination in  
the Consolidation Plan.

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I. POTENTIAL MISINTERPRETATION OF PETITIONERS ADDRESS:

Initially, this is a technical issue we call to your attention since there was a submission of petitions submitted by homeowners in the Corte Bella area, some of which were bearing the return address of Sun City West- which is in strict compliance with Post Office protocol. However, they did not disclose that they reside in Corte Bella or adjacent Developer Districts, not Sun City West. This rises to your attention inasmuch as there is a potentially misleading statement in Docketed material dated July 30, 2014, @ the bottom of page 4 it references, "... complaint letters were filed with the Commission on 3/7/14 and included 2,320 signatures who are homeowners in the Corte Bella subdivision & Sun City West." The statement that some of these are residents of Sun City West is open to conjecture since only minute examination of street addresses would distinguish whether they were resident homeowners in Corte Bella or Sun City West.

It should be understood that Corte Bella is a gated golf community separate & distinct from Sun City West and would be presumed to favor consolidation as strongly as Sun City West opposes it.

The confusion was manifested by the U.S. Postal Dept. who designated upon the origination of Corte Bella that they would use the same Zip Code, 85375, & our community name for their address, for reasons never made clear nor offered. It causes considerable confusion, as it has in the instant case.

II. RANGE OF RATE CRITICISM INVALID

Some of the Corte Bella critics of the present plan are disturbed at the 5.9 to 1 range of low rate to high. Yet in material advanced for exhibit by EPCOR, reflecting the range of rates in Wastewater Districts in the major metro area of Phoenix, the range is 7.7 to 1,

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1 although the high number is less than Agua Fria, their low number  
2 is lower. In a competitive environment, range of rates is normal  
3 and only typifies that there are unique differences between districts  
4 that justify that difference and should be acknowledged in any free  
5 enterprise system. While one can sympathize with those in the high  
6 rate districts, there are obvious circumstances which make them  
7 predictable and thus avoidable.

8 III. EXAMINATION OF CORTE BELLA'S HIGH RATE INSUFFICIENT:

9 There has been a classical and compelling void in responding to Corte  
10 Bella's, et al, plight as a high rate district via any analytical  
11 fashion. In 2004, the NW Processing Plant enlarged its facility  
12 from a 3 million gallon daily capacity to a 5 million daily capacity,  
13 ostensibly to accomodate the Corte Bella Development and perhaps  
14 growth in the adjacent area. Whether the 2007 recession, which put a  
15 crimp in real estate sales, impacted the full utilization of that  
16 plant expansion or not, and to what degree-if the full cost of that  
17 expansion was charged to those adjacent areas, are questions which  
18 deserve a specific answer but ones which I've been unable to ascertain  
19 from EPCOR.

20 A seconday issue arises also, in that it has been alleged that the  
21 Webb Corporation donated the plant in exchange for guaranteed water  
22 rights to Sun City West. If true, it would account, to some degree,  
23 for Sun City West's more favorable rates.

24 Likewise, if Sun City West had an invested charge in that plant,  
25 did the new areas reimburse Sun City West for a portion of that  
26 original plant investment. It would be important to know the  
27 the response on these questions but given past requests, response  
28 is doubtful. Such data was requested more than 30 days ago and is

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1 yet unanswered. I conclude this section by underscoring that there  
2 there is a need for a more detailed study of Agua Fria's high rate.

3 IV PRESENTATION OF CONSOLIDATION IS ESSENTIALLY A SUBTERFUGE:

4 Rather than study the more sophisticated aspects of the cause of  
5 high rates in the Agua Fria District, the EPCOR Company quickly  
6 ran out their "Consolidation" proposal as a different and distracting  
7 platform to address once more that issue which was defeated for  
8 both proposed wastewater & water consolidation in the past 5 years.  
9 At its very core it can be faulted on the grounds it destroys the  
10 fundamental purpose & function of our Commissioners, which is, to  
11 determine the finite, "cost of service." That is the distinctive  
12 quality that separates one company's efficiencies from the other  
13 so they can hold their rate down. But in consolidation, cost  
14 analysis gets minimized because it become more evasive with less  
15 accounting costs as the preoccupation of the utility company. In  
16 that quest we will have blinded much of the pertinent data that  
17 Commissioners & Staff have been accustomed to in the reviewing  
18 process. Data will become more generalized and spread over non-  
19 specific areas that obscure the locale of the problem. The controver-  
20 sial conversion will forever close the door on a tried & true system  
21 that has been honored and respected, while incentivizing our economy  
22 by rewarding unique and innovated approaches to cost economy. These  
23 concepts will become immaterial and ambiguous under consolidation.  
24 In it place we troll for the larger, more efficient districts to  
25 subsidize the smaller, less efficient districts while embracing a  
26 a less common economic principle.

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V. SHARED CONSTRUCTION COST BENEFIT A MISNOMER:

Proclaiming shared construction cost improvements as a star benefit is in reality a misnomer. Its luster is predicated on the assumption that your district is the only one with a capital improvement project and you'll divide your cost by five. Now there's truth that your project will be divided by five but the fiction lies in the fact that 4 other community projects have been named, 3 with precise amounts that EPCOR has specified with estimates of cost. Once you've identified the 2nd, 3rd, & 4th. community project, you've vaporized the cost construction benefit.

Taking Sun City West as an example, according to staff, we'd start with a \$1.06 shared cost for our \$4.9 M. project vs. \$3.79 rate hike if we were to handle it under our current Self Reliant process. Well that looks great until you start adding my contribution for the other community projects and suddenly my share for the first other two bumps my surcharge up to \$4.23. Since no cost has been announced for Russell Ranch, modestly assume \$7.5 M. and now my shared cost is up to \$5.82, more than \$2 bucks over what my Self Reliant cost would have been. Based on the published areas that need projects, Consolidation hurts rather than helps.

VI EVASIVE INFORMATION ON EPCOR'S EXPANSION PLANS

Unmentioned by EPCOR are expansion plan floating on the Internet and in the minutes of M.A.G. meetings last spring. At our hearings, I've heard nothing about this but it does relate to potential costs for the Agua Fria District and therefore should have been disclosed. From these outside sources I've learned that the City of Glendale has signed agreements on 3,600 acres of their 10,880 acre West Valley Regional Water Reclamation Facility. This is a huge 17 square mile

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1 area, west of Luke Air Force Base, south of Peoria Dr, North of  
2 Camelback.

3 EPCOR has purchased 40 acres with the area in the SW corner, which  
4 enjoys a gravity flow from the entire rest of the area-much like  
5 the circumstance for wastewater in Sun City West. EPCOR has been  
6 appointed as the official administrator of the district and ultimate-  
7 ly will build a \$125 M. facility on that site.

8 Earlier this year, EPCOR approached the Commissioners about utilizing  
9 this area as an answer to the Russell Ranch problem. While the  
10 Commissioners we're less than responsive to the idea of attaching a  
11 portion of this cost to the Agua Fria District, it does give us  
12 pause for greater exposure to EPCOR's expansion Plans as they relate  
13 to one of our districts.

14 VILCONSOLIDATION PLAN IS DISCRIMINATORY ON SEVERAL GROUNDS

15 It appears that your own rate paring on an even rate basis is irrecon-  
16 cilable with factors that have a wide disparity in their fundamental  
17 composition.

18 A. The plan discriminates against the two oldest communities:

19 55 years for Sun City & 35 years for Sun City West, who have  
20 amortized their original investments and, by your action you are now  
21 retroactively asking them to shoulder the burden of communities  
22 only 5 to 10 years of age in the process of beginning to amortize  
23 their investment.

24 B. The Plan discriminates against communities like the 2 Sun Cities,  
25 who are the largest, most compact in the entire district, bearing  
26 factors which instinctively afford economy of scale. Conversely,  
27 the other districts-which involve multiple communities (some as  
28 many as 9- Agua Fria) in distant points that presumeably average

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1 und under 750 outlets per location, versus over 22,000 out-  
2 lets in Sun City & 15,000 in Sun City West in a single  
3 location.

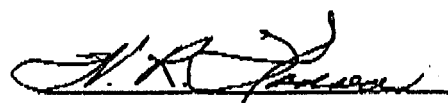
4 C. The plan discriminates on a volumetric consumption basis  
5 with an uncompetitive rate inasmuch as the two Sun Cities  
6 would likely average under 2 persons per outlet versus the  
7 younger family communities with the potential of several  
8 children, which would compound the volume consumption. This  
9 is an established fact, rooted in the frequent criticism from  
10 these areas who have criticized the impact of volumetric  
11 charges. It would be be classically inconsistent to  
12 suggest that such wide economic and sociological disparities  
13 within the 5 districts are deserving of an equal scale, hence  
14 an equal rate.

15 D. The plan discriminates against the two Sun Cities with the  
16 economic proposal anchored in a plan whereby those 2  
17 communities exclusively shoulder the ENTIRE burden of  
18 subsidizing the ENTIRE rate reduction for the other 3  
19 communities. In so doing,, it imposes a 47% rate increase  
20 on these two communities in order to generate a rate  
21 reductions of 39%, 45% & 68% among residential customers  
22 with an average reduction of 56%, gifted by gouging the  
23 two retirement communities an average of 47% and extorting  
24 Sun City an unconscionable 87% rate hike.

25 E. It discriminates against the elderly in the state's two  
26 largest retirement communities, where virtually residents  
27 rely on social security to one degree or another. At a time  
28 when social security has advanced only 1.4% over the past

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1 5 years, and went 2 years without any increase. The shift  
2 of the burden to fund 100% of the 56% subsidy of rate  
3 reduction has all the appearances of pickpocketing the  
4 Social Security Symbol and perhaps is the most egregious  
5 stroke of the discriminatory aspects of the Consolidation  
6 plan.



W.R. Hansen, Pres.  
Property Owners & Residents Assoc